

TESTIMONY IN FAVOR OF HB1227

By Carol Zervas, Resident/Member of Ellicott Meadows Condominium Association, Inc., House District 9A

I am testifying in favor of the amendments to Section 11-114 which restore the requirement that condominium councils of unit owners maintain property insurance coverage, among other coverages, on all types of unit located within the condominium regime, with the exception of those condominiums which only consist of detached units. The bill further specifies differences in required coverage of detached units in condominiums composed entirely of detached units.

I own a detached unit in Ellicott Meadows Condominium which consists of 164 villa and detached units. Its original and current governing documents were developed to create equity between members of the condominium. Hence, while our units vary widely in size and physical separation, we all pay the same amount toward the maintenance and insurance of the condominium. There is, in other words, equity between members in terms of our percentage of ownership in the condominium and our monetary contribution to it. Among the effects of this arrangement is the fact that each of us does and can expect to receive equal treatment and equal services from the condominium, regardless of the amount or type of physical property we own.

Since it was built in 2007/8, all units have been covered by at least one master property insurance policy which insured every unit to the level of its full replacement value in the event of any covered loss. Each of us pays the same amount toward each premium for all our units as well as all the condominium's common elements, liability, medical, etc.

If the amendments created through the passage of SB403/HB98 were to remain law, each of us who own a detached unit (72 of the 164 units) would, unless we succeeded in amending our governing documents, have to purchase a policy of insurance covering the entirety of our unit while also paying for the master policies which cover damage to the community's common elements and to the structures and limited common elements of its villas (92 of the 164). In addition to insuring our own unit's structure, our new homeowner's policy would add the expense of coverage for any loss suffered by the entire community (loss assessment coverage) and of coverage to meet any new building codes which may be in existence if a substantial portion of our unit needed to be rebuilt (new law coverage). The combined expense would greatly exceed what we now pay for the condominium's premium plus our HO6 policies, and the additional expense would not net us any better coverage than we now have.

The cost to detached unit owners would be burdensome and, for the entire community combined, would be far less economically sound than is our existing coverage, because, by insuring our entire community, our insurer can "bundle" the risk factors which apply to different types of unit, creating an average cost per unit. The

insurer can and does also use a probability calculation which takes into account the likelihood of the entire community being destroyed in one event. Spread out over the life of the policy, both these types of calculation result in lower costs of insurance on our homes than would exist if we, the detached unit owners, and (I believe) the villa owners, held separate, different types of coverage. (Villa's in our community bear a higher risk factor than do the detached units.)

The existing requirements imposed by Section 11-114 create an unfair situation as well as a less economical means of providing robust, effective coverage of our homes. Furthermore, the requirement of separate coverage based on type of home creates a disparity of interest between homeowners vis-à-vis insurance coverage and, in addition, makes the community more vulnerable to potential disputes between insurance carriers when claims involve one carrier for the community and a different carrier for the individual homeowner. In our community's experience (due in part to 11-114(c)(4) which I recognize is an essential component of the law), in the event of an extensive claim, long delays to the repair of a home can result.

I ask that the committee report favorably HB1227 to preserve equity in communities like ours and allow such communities to structure their insurance coverage in a way that is beneficial and attractive to an insurer as well as being equally beneficial to all residents of condominium communities having a variety of types of home.